



Committed to the future of rural communities.

# Rural Economic Development Loans (REDL)

## Purpose

To provide financing to eligible Rural Utilities Service (RUS) electric or telecommunications borrowers (Intermediaries) to promote rural economic development and job creation projects.

## Eligibility and Disposition of Loan Proceeds

- Zero-interest loans can be made to any Intermediary that is not delinquent on any Federal debt or in bankruptcy proceedings.
- The Intermediary is required to re-lend, at zero-percent interest, the loan proceeds to an eligible "ultimate recipient" for the purpose of financing job creation projects and sustainable economic development within rural areas. A rural area is any area other than a city or town that has a population of greater than 50,000; and the urbanized area contiguous and adjacent to such a city or town.
- The Intermediary receiving the zero-interest loan is responsible for repaying the loan in the event of delinquency or default by the ultimate recipient.

## Ultimate Recipients

An entity or individual that receives a loan from an Intermediary. Ultimate recipients may be a for-profit or not-for-profit entity such as, but not limited to, a sole proprietorship, a corporation, a cooperative, a partnership, or a Limited Liability Company. The Ultimate Recipient may also be a public body, such as, but not limited to, a political subdivision of a State or locality, or a Federally recognized Indian tribe.

## Eligible Loan Purposes

Zero-interest loans will be provided to ultimate recipients to finance financially viable economic development or job creation projects in a rural area. Examples include but are not limited to:

- Start-up venture costs, including, but not limited to financing fixed assets such as real estate, building (new or existing), equipment, or working capital.
- Business expansion
- Business Incubators
- Technical assistance
- Project feasibility studies
- Advanced telecommunications services and computer networks for medical, educational, and job training services
- Community facilities projects
- Other projects eligible under §4280.21-
  - Facilities and equipment to provide education and training to residents of rural areas that will facilitate economic development;
  - Facilities and equipment to provide medical care to residents of rural areas.

## Maximum and Minimum Loan Amounts

- Maximum \$740,000 (Published annually in the Federal Register)
- Minimum \$ 10,000

## Supplemental Financing Requirement for Ultimate Recipient Projects

- Minimum requirement - 20 percent of the amount of the zero-interest loan.
- No in-kind contributions accepted as supplemental financing.

### Loan Repayment Terms between the Intermediary and Rural Development

- The Intermediary signs a ten-year promissory note, payable to the Government. Lesser term notes are acceptable.
- Note will carry a zero-interest rate.
- Principal repayment will be on a monthly basis.
- Deferment of principal payments may be included within the note term. The deferment period for an established ultimate recipient business will be limited to one year; for a startup business or community infrastructure project, two years.

### Loan Repayment Terms between the Intermediary and Ultimate Recipient

- Terms will mirror those provided by Rural Development to the Intermediary.
- The ultimate recipient will provide collateral to the Intermediary.
- Reasonable loan servicing fees may be charged by the Intermediary to the ultimate recipient, not to exceed one percent a year on the unpaid principal balance of the loan.

### Application Filing, Review, and Selection

- Applications are submitted to the Rural Development State Office.
- Application selection is competitive. Applications are awarded priority points by Rural Development based on the selection factors, and the highest-ranked applications are selected for funding on a quarterly basis.

### Selection factors considered in the award process:

Factors considered when making awards include:

- Nature of the project
- # of direct full time jobs created or saved within 3 years
- Supplemental funds
- Unemployment rate
- Per capita personal income
- Rural area location
- Decline in population
- Cushion of Credit payments
- Initial loan or grant to the Intermediary
- First loan or grant in the county where project located
- Ultimate recipient's business plan
- Agency discretionary points

### For More Information Contact:

USDA Rural Development  
220 East Rosser Avenue  
PO Box 1737  
Bismarck ND 58502-1737

**PH: (800)-582-7584, Ext. 2065**

**TTY: (701) 530-2113**

**Fax: (701) 530-2111**

**E-mail: [dale.vaneckhout@nd.usda.gov](mailto:dale.vaneckhout@nd.usda.gov)**

**<http://www.rurdev.usda.gov/rbs/busp/bprogs.htm>**

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